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PRESS STATEMENT
BY
THE HONORABLE
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The South Atlantic crisis is about to enter a new and dangerous phase, in which large-scale military action is likely. I would like to bring you up to date on what we have done, and why, and what we must now do.

From the outset of the crisis, the United States has been guided by the basic principle of the rule of law. We have made a determined effort to restore peace through implementation of UN Security Council Resolution 502. That Resolution calls for:

- an end to hostilities;
- the withdrawal of Argentine forces from the islands; and
- a diplomatic settlement of the fundamental dispute.

The United States made this extraordinary effort because the stakes in human lives and international order required it. A fundamental tenet of United States foreign policy is that change in the world must not result from the use of force. The collapse of that principle could only bring chaos and suffering.

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We also made this effort because the crisis raised vital issues of hemispheric solidarity at a time when Communist adversaries seek positions of influence on the mainland of the Americas and latent territorial disputes in much of the hemisphere call for unity and the resolute defense of principle.

We acted as well because the United States has the confidence of the parties. The United Kingdom is our closest ally, and Prime Minister Thatcher's Government looked to us to pursue a peaceful solution. We have also recently developed a better relationship with Argentina, as part of our success in revitalizing the community of American states. President Galtieri also requested our involvement.

Under the direction of President Reagan, I participated in many days of intense discussion with the parties -- in London, in Buenos Aires, and here in Washington -- in search of a framework for implementing UN Security Council Resolution 502. Our initial aim was to clarify the position of the parties and to offer suggestions on how those positions might be reconciled. We took no position on the merits of either the British or Argentine claims to the islands.

As the prospects for more intense hostilities arose, we put forth an American proposal. It represented our best estimate of what the two parties could reasonably be expected to accept, and was based squarely on our own principles and concern for the rule of law.

We regard this as a fair and sound proposal. It involves: a cessation of hostilities; withdrawal of both Argentine and British forces; termination of sanctions; establishment of a US-UK-Argentine interim authority to maintain the agreement; continuation of the traditional local Administration, with Argentine participation; procedures for encouraging cooperation in the development of the Islands; and a framework for negotiations on a final settlement, taking into account the interests of both sides and the wishes of the inhabitants.

We had reason to hope that the United Kingdom would consider a settlement along the lines of our proposal, but Argentina informed us yesterday that it could not accept it. Argentina's position remains that it must receive an assurance now of eventual sovereignty, or an immediate de facto role in governing the islands which would lead to sovereignty.

For its part, the British Government has continued to affirm the need to respect the views of the inhabitants in a settlement.

The United States has thus far refrained from adopting measures in response to the seizure of the islands that could have interfered with our ability to work with both sides in the search for peace. The British Government has

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shown complete understanding for this position. Now, however, in light of Argentina's failure to accept a compromise, we must take concrete steps to underscore that the US cannot and will not condone the use of unlawful force to resolve disputes. The President has therefore ordered:

- the suspension of all military exports to Argentina;
- the withholding of certification of Argentine eligibility for military sales;
- the suspension of new Export-Import Bank credits and guarantees; and
- the suspension of Commodity Credit Corporation guarantees.

The President has also directed that the United States will respond positively to requests for materiel support for British forces. There will, of course, be no direct US military involvement.

American policy will continue to be guided by our concerns for the rule of law and our desire to facilitate an early and fair settlement. The United States remains ready to assist the parties in finding that settlement. A strictly military outcome cannot endure over time. In the end, there will have to be a negotiated outcome acceptable to the interested parties. Otherwise, we will all face unending hostility and insecurity in the South Atlantic.